Federal Computer Services Sdn Bhd v Ang Jee Hai Eric

COURT OF APPEAL (SINGAPORE) — CIVIL APPEAL NO 27 OF 1989
YONG PUNG HOW CJ, LAI KEW CHAI AND CHAO HICK TIN JJ
3 SEPTEMBER 1991

Civil Procedure — Injunction — Infringement of copyright and breach of fiduciary duties and confidential information by employee — Injunction to restrain use or disclosing of trade secrets and confidential information relating to computer software programs — Application of principles in American Cyanamid — Copyright Act (Cap 63, 1988 Ed), s 293 — Copyright Act 1911 [UK]

Copyright — Computer software programs — Modification of respondent's program from appellants' program — Extent of copying — Whether there was infringement of appellants' copyright — Applicability of statutory bar in s 293(2) of Copyright Act (Cap 63, 1988 Ed) — Infringement of copyright before 10 April 1987 — Computer software programs alleged to be literary works under Copyright Act 1911 [UK] and that copyright subsists under 1911 Act — Copyright Act 1911 [UK] — Copyright Act (Cap 63, 1988 Ed), s 293

The appellants, a Malaysian company, and their branch in Singapore, develop and sell computer interfaces, both hardware and software. They claim that since 1984 they have become best known for their PABX interface system. The respondent was employed by the appellants as a systems engineer and was involved in installing and modifying programs of the appellants' Call Accounting Interface System ('CAI'). In October 1985 he was relieved from doing installation work as the appellants' director noticed that the respondent was looking through and modifying previously written programs. The respondent resigned in February 1986 and undertook in writing that he would upon termination of his employment return to the appellants 'all documents, manuals and software that [were] related to products developed and supported by [the respondent] throughout [the respondent's] period of employment'.

In 1986, the appellants learned that another company was offering an alternative software program in relation to the call accounting system and known as 'TMS-11'. They received information that the company had installed a telephone call accounting system for a hotel which was similar to the CAI system. They also received a copy of the company's program which the appellants believed were directly modified from their CAI program. A search at the Registry of Companies revealed that the respondent has been a director and secretary of the company from July 1986.

On 11 May 1987, the appellants issued a writ against the respondent alleging infringement of copyright, misuse as a former employee of confidential information and breach of fiduciary duties. The claim is for damages, and an injunction restraining the respondent from using or disclosing any trade secrets and confidential information relating to the appellants' computer programs. On the same day, the appellants applied ex parte and obtained an interim injunction and an Anton Piller order. The appellants carried out a raid on the respondent's premises and seized several articles and documents. The appellants later filed a notice of motion for various interlocutory orders. After hearing the application, the court ordered, inter alia, the return of all documents, diskettes, etc relating to the respondent's TMS system which was obtained in the raid and to pay damages to the respondent to be assessed by the registrar for the retention of the respondent's things. The appellants appealed against the order, and also sought an order to restrain the respondent from publishing, selling or otherwise dealing with his TMS programs or any other programs which either reproduce or are adaptations of the CAI system.

Held, allowing the appeal and granting the orders sought:

(1) The court was satisfied that there was a serious question of infringement to be tried and that the guidelines of *American Cyanamid* were not followed by the learned judge.

(2) The controversial nature of the competing expert evidence was such that it was impossible in an interlocutory proceeding to form any confident finding of fact on the extent of copying, and that there was infringement under the Copyright Act (Cap 63, 1988 Ed).

(3) The interlocutory view of the appellate court was that questions whether copyright in the CAI system had subsisted under the 1911 Act and whether there were infringements by the respondent were also serious questions which had to be fully canvassed and tried.

(4) The learned judge had erred in finding that no impropriety on the part of the respondent had been shown and in concluding that the appellants' claim 'was a highly contentious claim'. There was also affidavit evidence, which was not really controverted, that the company had developed other computer programs and are able to continue with their business.

(5) Damages would have been difficult to assess, as it would be difficult to establish a co-relation between any drop in the sales of the appellants with the alleged infringements and alleged breaches of fiduciary duties of fidelity and confidence. The learned judge's finding that this was 'pre-eminently a case for damages' was therefore not accepted.

(6) The appellants had over 3½ years developed their CAI system, and had incurred expenses doing so. The learned judge had enjoined the respondent from using the trade secrets and confidential information relating to the CAI system and there was no warrant why the respondent should not have been enjoined not to copy or adapt the appellants' CAI system in their TMS, TMS-11 or any other adaptation of any of the appellants' CAI system.

Cases referred to

1 *Computer Edge Pty Ltd & Anor* v *Apple Computer Inc & Anor* [1985-86] CLR 171 (refd)
2 *Hadmor Productions Ltd & Ors* v *Hamilton & Ors* [1982] 1 All ER 1042 (folld)
3 *American Cyanamid Co* v *Ethicon Ltd* [1975] AC 396 (folld)
4 *NWL Ltd* v *Woods* [1979] 1 WLR (distd)
5 *R* v *Secretary of State for Transport, ex p Factortame Ltd (No 2)* [1991] 1 All ER 70 (distd)
6 *Butterworth & Co (Publishers) Ltd* v *Ng Sui Nam* [1985] 1 MLJ 196; [1987] 2 MLJ 5 (refd)
7 *S Mariappan* v *Government of Malaysia* [1983] 2 MLJ 340 (refd)
8 *Thrustcode Ltd & Anor* v *WW Computing Ltd* (1983) 9 FSR 502 (refd)
9 *Sega Enterprises Ltd* v *Richards* [1983] FSR 73 (refd)

Legislation referred to

Copyright Act (Cap 63, 1988 Ed) s 293
Copyright Act (Cap 63, 1985 Ed)
Copyright Act 1911 [UK]

Appeal from: Suit No 1338 of 1987 (High Court, Singapore)

Lo Kok Siong (*Lim Soo Peng* with him) for the appellants.
Sunil Emannuel for the respondent.

Cur Adv Vult

Lai Kew Chai J (delivering the judgment of the court): The appellants, a Malaysian company and their branch in Singapore, are in the business of developing and selling computer interfaces, both hardware and software. They claim that since 1984 they have become best known for their PABX interface system. This system apparently served a pressing need in the local hotel industry for a computer system which, inter alia, could accurately compute telephone charges based on tariff table look-up and post guest charges to their respective folios in the hotel's front-office computer. It was labelled by them as the Call Accounting Interface System ('CAI'). In 1986, it was said, the CAI system was further developed by the appellants to include several additional features for hotel use, such as mini-bar charge posting via guest room telephone, maid status updating into front-office computer system via guest room telephone, and guest name display on the hotel's telephone operator's console when a guest calls the operator. The appellants had supplied to and installed their CAI system at several leading hotels in Singapore, Malaysia and several other countries in the Far East.

In January 1985, the respondent was employed by the appellants as a systems engineer and in that capacity had been involved in the installations and program modifications of the CAI system. According to the appellants' director, Dr Chou Sun Chee, in October 1985 he noticed that the respondent was looking through previously written programs and modifying them. Dr Chou went on to affirm thus: 'When questioned, he claimed that he was seeking to improve the programs and indicated to me a rough idea of how he intended to modify certain program statements. However, the (respondent) never showed any of his modified versions to the others in the office. I became apprehensive of his motives and as from October 1985, relieved him from doing any installation work for the (appellants).' We should summarize what the respondent affirmed in reply. He affirmed that what he did was within his scope of duties, which included what is, within the computer industry, called 'investigative works'. He also said that in October 1985 he, as an employee of the appellants, had installed the appellants' Call Charge Recording System ('CCR') at the Strand Hotel and in the course of that installation he had found that the system had many 'bugs', ie problems, which required him to look into the whole system to identify the source, nature and extent of the problems and prescribe the remedial modifications. There was nothing suspicious at all in what he was doing. The respondent further pointed out that in fact, according to the evidence of his expert, Dr Lua Kim Teng, the appellants' latest version 2.0 was shown to have been modified by the respondent and another employee of the appellants, Henry Ng, on 5 December 1985, which showed that everything was done quite openly and was above board. The respondent therefore questioned Dr Chou's credibility. This issue became more controversial in the light of the appellants' response that, in fact, it was Henry Ng who had alone carried out the modifications and installed the system on 5 December 1985 and that the respondent had not made any material modifications. Dr Chou further deposed that the respondent would be lying if he sought 'to claim he made any material contribution to that modification'.

In February 1986, the respondent submitted his notice of resignation to the appellants and, at the latter's request, he undertook in writing that he would upon termination of his employment return to the appellants 'all documents, manuals and software that [were] related to products developed and supported by [the respondent] throughout [the respondent's] period of employment'. The contract of employment ended at the end of March 1986.

In the middle of 1986, the appellants learned that a competitor in the market, known as Datum Communications (S) Pte Ltd ('Datum'), was offering various prospective clients an alternative software program in relation to the telephone call accounting system and known as 'TMS-II' (an acronym for Telephone Management System-II). They later learned and received from two anonymous sources: (a) information that Datum had installed at Shangri-la Hotel a telephone call accounting system which, as described by the anonymous caller, contained details of the system similar to the CAI system; and (b) a copy of Datum's TMS-II program which consisted of a portion of the source code and the whole of the object code of the TMS-II program and which Dr Chou Sun Chee, after an analysis which he explained at length in his affidavit, opined was 'directly modified from the CAI program, and the changes made were largely cosmetic'. He alleged that '(s)everal portions of the TMS program are identical to the CAI program'. A search at the Registry of Companies revealed that the respondent has been a director and secretary of Datum as from 21 July 1986. Datum's paid-up capital was $2.

On 11 May 1987, the appellants issued a writ in the High Court against the respondent alleging infringement of copyright, misuse as a former employee of confidential information and breach of fiduciary duties. The indorsement of claim was in the following terms:

> The [appellants'] claim is for damages for breach of the [respondent's] implied duty of fidelity and good faith as an

employee of the appellants during and after the termination of his employment with the appellants by reason of his unlawful use or disclosure of the appellants' trade secrets and confidential information relating to their computer software programs known as Call Accounting Interface System ('CAI'); further or alternatively, for damages for infringement of the appellants' copyright in their said computer program; further or alternatively, an injunction restraining the respondent whether by himself, his servants or agents from using or disclosing any trade secrets and confidential information relating to the appellants' computer programs in particular their software programs known as Call Accounting Interface System ('CAI'), Call Charge Recording System ('CCR') and Weighbridge Control System ('WCS').

On the same day, the appellants applied ex parte and obtained from Thean J an interim injunction and an Anton Piller order in the following terms:

(1) that the respondent be restrained by injunction until after the hearing of a notice of motion made returnable on the next motion day on 15 May 1987 or as may be otherwise ordered by this honourable court, whether by himself or his servants or agents from using or disclosing any trade secrets and confidential information relating to the appellants' computer programs including in particular their software programs known as Call Accounting Interface System ('CAI'), Call Charge Recording System ('CCR') and Weighbridge Control System ('WCS');

(2a) that the respondent by himself, his agents or servants do forthwith upon production of a sealed or certified true copy of the order made hereon, permit two duly authorized representatives of the appellants together with a solicitor from Messrs Allen & Gledhill and a duly authorized representative of Lionel Security Systems & Services Pte Ltd, to enter his residence at No 576 Siglap Road, Singapore 1545 for the purpose of searching for, inspecting and identifying all documents including computer diskettes and program listings which may be likely to contain any trade secrets and confidential information relating to the appellants' computer programs;

(2b) that the respondent, his servants, or agents do during the search permit the appellants' said representatives to make an inventory of all documents and other evidence identified by them to contain any trade secrets and other confidential information relating to the appellants' computer programs and to allow the appellants' representatives without hindrance to take away with them the original documents or materials aforesaid.

The appellants carried out the raid on the respondent's premises on 14 May 1987 as a result of which they seized several articles and documents which were later retained in the custody of the appellants' solicitors. We will later in this judgment deal with the appellants' description and allegations of the nature of the materials seized by them and what those materials allegedly disclosed.

On 13 May 1987, the appellants filed a notice of motion which was amended on 18 May 1987 and re-amended on 16 January 1988 for the following interlocutory orders:

(1) that the respondent be restrained by injunction until after the trial of this action or further order whether by himself or his servants or agents from

(a) using or disclosing any trade secrets and confidential information relating to the appellants' computer programs including in particular their software programs known as Call Accounting Interface System ('CAI'), Call Charge Recording System ('CCR') and Weighbridge Control System ('WCS');

(b) reproducing, publishing or adapting any of the respondent's TMS programs or any other computer program which reproduces or is an adaptation of any of the appellants' CAI programs; and

(c) selling, letting for hire or by way of trade offering or exposing for sale or hire, any of the respondent's TMS programs or any other computer program which reproduces or is an adaptation of any of the appellants' CAI programs.

(2) that the costs of and incidental to this application be in the cause.

(In this appeal, it was agreed that the orders relating to CCR and WCS were no longer in question.)

The appellants' application was heard by Sinnathuray J. By an order dated 17 March 1989, the learned judge made the following orders:

(1) the interim injunction to continue until the trial of this action or further order, limited to restraining the respondent from using or disclosing any information alleged by the appellants to be trade secrets and confidential information relating to the appellants' CAI system;

(2) the appellants deliver forthwith all the documents, diskettes and other things relating to the respondent's TMS system which the appellants obtained in the raid on the respondent's premises on 14 May 1987 pursuant to the Anton Piller order of 13 May 1987;

(3) the appellants pay damages to the respondent to be assessed by the registrar for the retention of the respondent's things, referred to in (2) above from 14 May 1987 to date of delivery;

(4) the costs of this application to the respondent to be taxed and paid by the appellants.

In making the orders, the learned judge gave the following reasons which, in an interlocutory matter, were understandably brief and succinct:

(1) As regards infringement of copyright under the Copyright Act (Cap 63, 1988 Ed) —

(a) on the facts given by the respondent, if proved at the trial, there would be no infringement under the Act, and in this context the material date for the consideration whether there has been an infringement must be at the date of the infringement; and

(b) if otherwise, on the evidence of experts, which I have carefully considered for the purpose of this application, albeit affidavit evidence which has not been tested in cross-examination, the pros-

pects of the plaintiffs succeeding at the trial are, in my view, slender because I prefer the evidence of the expert, Dr Lua, for the respondent, to that of the expert for the appellants, Mr Ng. I therefore exercise my discretion against granting an injunction sought for by the appellants under this claim.

(2) As regards breach of duty of fidelity and breach of confidence, notwithstanding the admission by the respondent that he had copied the appellants' program for his MENU BAS, for the purpose of this application only I find the expert evidence of the respondent, Dr Lua, is to be preferred to the evidence of the appellants' expert, Mr Ng, and accordingly I hold that copying in TMS-II was so minimal that there is no evidence of copying.

(3) Even if I am wrong in (1) and (2) and the appellants have made out a prima facie case, the balance of convenience is clearly in favour of the respondent and against the appellants for relief by way of injunction. Here, I adopt the words of this report, *Cope Allman (Marrickville) Ltd* v *Farrow & Ors*, under (7): 'Held' — and I use those words here as they are most appropriate — 'No impropriety on the part of the respondent has been shown, and his whole business would have been brought to a standstill by a highly contentious claim if relief were granted.' It follows from what I have said that should the appellants succeed in the trial, this is pre-eminently a case for damages.

After the orders were made by the learned judge, it was discovered that the diskettes containing the respondent's TMS system which had been ordered to be returned to him also contained the appellants' CAI system and it was not physically possible to split the diskettes into parts. The appellants also alleged that the respondent's TMS system may be shown to contain evidence as to how and when the alleged copying and adaptation of the appellants' CAI programs were carried out by the respondent. Not unnaturally, the appellants were anxious to preserve the incriminating evidence, if any. Parties sought clarification of the orders made on 17 March 1989. On 28 March 1989, the learned judge made the following orders:

(1) that the appellants may retain until trial or further order all diskettes relating to the respondent's TMS system and referred to in para 2 of the order of court of 17 March 1989 but that the respondent be at liberty to make a copy of:

(a) all the diskettes referred to in para 2 of the affidavit of Dr Lua Kim Teng filed herein on 27 March 1989;
(b) items 39 and 40 referred to in para 3 of Dr Lua's said affidavit;
(c) items 41 and 42 referred to in para 4 of Dr Lua's said affidavit.

(2) that the copying of the diskettes referred to in para 1 above be done under supervision and the same be carried out in the presence of the respondent's expert.

In this appeal, the appellants sought from us a reversal of the orders of the learned judge made on 17 March 1989 in so far as the appellants were ordered: (a) to deliver all the documents, diskettes and other things relating to the respondent's TMS system which the appellants had obtained in the raid carried out on 14 May 1987 pursuant to the Anton Piller order of 13 May 1987; (b) to pay damages to the respondent to be assessed by the registrar for the retention of the respondent's things referred to in (a) above from 14 May 1987 to the date of their return to the respondent; and (c) to pay the costs of the application to the respondent to be taxed.

The learned judge ordered the continuation of the interim injunction which was, however, limited to restraining the respondent from using or disclosing the trade secrets and confidential information relating to the CAI system. This order, in effect, was in terms of prayer 1(a) of the re-amended notice of motion which we recited earlier in this judgment. There was no appeal against this part of the order. But the learned judge declined to make an order in terms of prayers 1(b) and (c) of the re-amended notice of motion which we recited earlier and under which the appellants in effect sought to restrain the respondent from publishing, selling or otherwise dealing with his TMS programs or any other programs which either reproduce or are adaptations of the appellants' CAI system. Accordingly, the appellants sought from us an order in terms of prayers 1(b) and (c) of the re-amended notice of motion.

At the conclusion of the appeal, we reversed the orders of the learned judge in the terms as sought by the appellants. We went on to make the orders in terms of prayers 1(b) and (c) of the appellants' re-amended notice of motion. We further ordered that the costs below and the costs of the appeal shall be costs in the cause.

It is now convenient to resume our summary of the affidavit evidence, picking up the narrative from the raid conducted by the appellants on the respondent's residence on 14 May 1987. This narrative, in turn, has to be preceded by a very basic understanding of how computer programs are developed and used. One may usefully begin by reference to the judicial remarks of Gibbs CJ in *Computer Edge Pty Ltd & Anor* v *Apple Computer Inc & Anor*[1] at pp 178-179:

> A computer program is a set of instructions designed to cause a computer to perform a particular function or to produce a particular result. A program is usually developed in a number of stages. First, the sequence of operations which the computer will be required to perform is commonly written out in ordinary language ... Next there is prepared what is called a source program ... The source code or assembly code cannot be used directly in the computer, and must be converted into an object code which is machine readable ... The program in object code ... in the first instance consists of a sequence of electrical impulses which are often stored on a magnetic disk or tape and which may be stored permanently in a ROM, a silicon

chip which contains thousands of connected electrical circuits. The object code is embodied in the ROM in such a way that when the ROM is installed in the computer and electrical power is applied, there is generated the sequence of electrical impulses which causes the computer to take the action which the program is designed to achieve ... The sequence of electrical impulses may be described either in binary notation (using the symbols 0 and 1) or in hexadecimal notation (using 0-9 and the letters A-F) ...

The software of the CAI system, which the appellants alleged was entirely developed by them in early 1984, consisted of five programs, which Dr Chou described as follows:

(a) INITFILE — This program is used to initialize various data files required in the execution of the main CAI program, such as transaction log files.
(b) SETUP — This program creates a 'control file' which is used in the execution of the main CAI program. The control file contains information in the form of various parameters such as the user's name, address, CAI version number, telephone surcharge rates and log file sizes.
(c) STDIDDIN — This program is used to initialize the data file containing the telephone rates for calls to various destinations. Two data files are initialized — one for STD rates and one for IDD rates.
(c) SIRATE — This program is used to maintain the STD and IDD rate files in which rates for calls to all destinations are stored.
(e) CAI — The CAI main program is the one that runs continuously when the CAI system is operational. It captures raw data from a PABX equipment, looks up the rate files to calculate call charges, prints a log of all calls (transactions), stores transactions in a log file residing on disk, prints call charge slips (vouchers) and posts call charges to a hotel front-office computer system. Usually, the CAI main program is stored on disk under the name of the user (eg MAN for Mandarin Hotel) and MAN10, MAN11, etc would be names given to different versions (or revisions) of the program.

Dr Chou in an affidavit gave a detailed description of the alleged special features of the CAI system, which we do not think, we need to repeat here.

We can now turn to the results of the raid. A total of 52 objects were taken. They were entered into an inventory and a list was given to the respondent. One of the 52 objects was a folder which itself contained nine items. There were there 60 distinct items in the inventory. Dr Chou affirmed on oath that many programs belonging to the appellants were found in the 60 items. Among them, to mention the main ones, were several programs installed at and used by Singapore Mandarin Hotel, many versions of the CAI main program were also in printed listing form in five of the items seized and the SIRATE, SETUP and STDIDDIN programs were found in one item. The respondent admitted that the diskettes were found in his house but he explained that it was an honest oversight. He thought he had returned all items in his car and had forgotten about the diskettes left at home, which were really back-ups and some of them, especially those used by the Singapore Mandarin Hotel, were at any rate not the latest. He denied any copying and relied on his expert's conclusions that there had been no copying by him in his TMS and TMS-II systems. He also made the point that some of the materials seized were easily available from their suppliers and pointed to the fact that those information was very much in the public domain.

The two computer software systems marketed by the appellants and Datum are both telephone accounting systems. The legal scope of the appellants' causes of action asserted against the respondent necessarily required evidence of a technical nature which would assist in determining (if any) the difference, similarities and possible areas of copying. Such evidence elicited merely by affidavits, however clearly presented but without the benefit of clarifications, for example, on very basic computer science and language, are most difficult to follow, with the best will in the world, and even more difficult to analyse so as to arrive at conclusions with any degree of confidence. In this case the technical details thrown up by several affidavits filed by two experts for the appellants and one expert and the respondent himself are many and varied; their understanding and analyses would require some basic knowledge in computer programming. Subject to this caveat, we will endeavour to set out the effect and impact on us at this interlocutory stage of the expert evidence.

In a nutshell, it was the joint opinion of both Dr Chou and Mr Ng Kok Thiam that the respondent in developing his TMS and TMS-II systems had copied four of their computer programs, namely, SIRATE, SETUP, CAI-2232 and CAI-2211, which they claimed were their original programs and over which they claim copyright and proprietary rights over the information of a confidential nature. They opined that around June 1986, the respondent derived his UTILITY 1 program and the SETUP program from the appellants' SIRATE and SETUP programs respectively. They further opined that the respondent around the same period in June 1986 derived his TMS system from the appellants' CAI-2232 and CAI-2211 systems. They also opined that around March 1987, the respondent derived further downstream his MENU system from the earlier UTILITY 1 and SETUP programs; and around the same period the respondent derived his TMS-II system from earlier TMS system. We should also specifically refer to the allegation of Dr Chou that according to one diskette marked item 37 and bearing the label 'CD-11', which was seized from the respondent's house, it was quite plain that there was evidence to show on a balance of probabilities that the respondent had modified his TMS BAS program on 10 April 1987 which, as will become plain later, is a crucial date. It appeared

that this date was attached to the file name of TMS BAS in the diskette directory. It will suffice for present purposes to mention that both Dr Chou and Mr Ng deposed to massive technical details which we do not find necessary to repeat.

We will now endeavour to summarize the expert evidence of Dr Lua Kim Teng and of the respondent. Having analysed and compared the two systems, they asserted that TMS-II was not a modification of the CAI system. They opined that the CAI system was 'not a new, unique or invented/created system'. They further expressed the opinion that there was 'nothing in [the CAI system] that [was] not of general knowledge within the [computer] industry'. Dr Lua Kim Teng in an addendum to his affidavit observed as matters of fact that the respondent had copied from the appellants his two programs known as MNRATE and UTILITY. However, he started that in spite of these facts, his primary opinions that there was no infringement remained unchanged. He said: 'It appears to me that the rate maintenance program (UTILITY or MNRATE) can execute as separate programs to the call accounting systems and therefore it may be possible to treat them separately from the main system. The second program, which is used in system parameter control file maintenance, may also be treated similarly. These two programs are generally used to do maintenance for the customers'. We will also observe that both Dr Lua Kim Teng and the respondent had deposed to massive technical details which we will not repeat for present purposes.

Such was the state of the conflicting affidavit evidence which was placed before the learned judge.

This was an appeal against the decision of the learned judge in refusing to make the interlocutory orders prayed for and also against the interlocutory orders which he had made in exercise of his discretion. The principles which guide an appellate court in such an appeal are clear. In *Hadmor Productions Ltd & Ors* v *Hamilton & Ors*,[2] Lord Diplock stated at p 1046:

> On an appeal from the judge's grant or refusal of an interlocutory injunction the function of an appellate court ... is not to exercise an independent discretion of its own. It must defer to the judge's exercise of his discretion and must not interfere with it merely on the ground that the members of the appellate court would have exercised the discretion differently. The function of the appellate court is initially one of review only. It may set aside the judge's exercise of his discretion on the ground that it was based on a misunderstanding of the law or of the evidence before him or on an inference that particular facts existed or did not exist, which, although it was one that might legitimately have been drawn on the evidence that was before the judge, can be demonstrated to be wrong by further evidence that has become available by the time of the appeal, or on the ground that there has been a change of circumstances after the judge made his order that would have justified his acceding to an application to vary it. Since reasons given by judges for granting or refusing interlocutory injunctions may sometimes be sketchy, there may also be occasional cases where even though no erroneous assumption of law or fact can be identified the judge's decision to grant or refuse the injunction is so aberrant that it must be set aside on the ground that no reasonable judge regardful of his duty to act judicially could have reached it. It is only if and after the appellate court has reached the conclusion that the judge's exercise of his discretion must be set aside for one or other of these reasons that it becomes entitled to exercise an original discretion of its own.

In this appeal, four grounds of appeal were canvassed on behalf of the appellants. They were all directed against the learned judge's (a) misdirection of himself by finding that there had been no infringement under the Copyright Act (Cap 63, 1988 Ed) on the basis of affidavit evidence relating to the alleged infringement of copyright; (b) mis-application of the guidelines laid down in *American Cyanamid Co* v *Ethicon Ltd*;[3] (c) erroneous finding of fact that copying had been 'minimal'; and (d) in concluding that the respondent's business would have been brought to a standstill by granting the interlocutory reliefs claimed by the appellants.

American Cyanamid[3] has authoritatively laid down the following guidelines for a court to follow when, in exercising its discretion, it considers an application for an interlocutory injunction pending trial at a later date, namely: (a) the plaintiff must establish that he has a good arguable claim to the right he seeks to protect; (b) the court must not attempt to decide the plaintiff's claim or claims on the affidavits, it being sufficient if the plaintiff shows that there is a serious question to be tried; and (c) if the plaintiff satisfies the abovementioned tests, the grant or refusal of an injunction is a matter for the exercise of the court's discretion on the balance of convenience. As to guideline (c) above, Lord Diplock in *American Cyanamid*[3] said at pp 408-409:

> ... the governing principle, is that the court should first consider whether, if the plaintiff were to succeed at the trial in establishing his right to a permanent injunction, he would be adequately compensated by an award of damages for the loss he would have sustained as a result of the defendant's continuing to do what was sought to be enjoined between the time of the application and the time of the trial. If damages in the measure recoverable at common law would be adequate remedy and the defendant would be in a financial position to pay them, no interlocutory injunction should normally be granted, however strong the plaintiff's claim appeared to be at that stage. If, on the other hand, damages would not provide an adequate remedy for the plaintiff in the event of his succeeding at the trial, the court should then consider whether, on the contrary hypothesis that the defendant were to succeed at the trial in establishing his right to do that which was sought to be enjoined, he would be adequately compensated under the plaintiff's undertaking as to damages for the loss he would have sustained by being prevented from doing so

between the time of the application and the time of the trial. If damages in the measure recoverable under such an undertaking would be an adequate remedy and the plaintiff would be in a financial position to pay them, there would be no reason upon this ground to refuse an interlocutory injunction.

It is where there is doubt as to the adequacy of the respective remedies in damages available to either party or to both, that the question of balance of convenience arises. It would be unwise to attempt even to list all the various matters which may need to be taken into consideration in deciding where the balance lies, let alone to suggest the relative weight to be attached to them. These will vary from case to case.

Where other factors appear to be evenly balanced it is a counsel of prudence to take such measures as are calculated to preserve the status quo. If the defendant is enjoined temporarily from doing something that he has not done before, the only effect of the interlocutory injunction in the event of his succeeding at the trial is to postpone the date at which he is able to embark upon a course of action which he has not previously found it necessary to undertake; whereas to interrupt him in the conduct of an established enterprise would cause much greater inconvenience to him since he would have to start again to establish it in the event of his succeeding at the trial.

Save in the simplest cases, the decision to grant or to refuse an interlocutory injunction will cause to whichever party is unsuccessful on the application some disadvantages which his ultimate success at the trial may show he ought to have been spared and the disadvantages may be such that the recovery of damages to which he would then be entitled either in the action or under the plaintiff's undertaking would not be sufficient to compensate him fully for all of them. *The extent to which the disadvantages to each party would be incapable of being compensated in damages in the event of his succeeding at the trial is always a significant factor in assessing where the balance of convenience lies; and if the extent of the uncompensatable disadvantage to each party would not differ widely, it may not be improper to take into account in tipping the balance the relative strength of each party's case as revealed by the affidavit evidence adduced on the hearing of the application. This, however, should be done only where it is apparent upon the facts disclosed by evidence as to which there is no credible dispute that the strength of one party's case is disproportionate to that of the other party. The court is not justified in embarking upon anything resembling a trial of the action upon conflicting affidavits in order to evaluate the strength of either party's case.*

The passage in *American Cyanamid*,[3] which is emphasized, deals with cases which are rare or should not be frequent, where a court is entitled when searching for and determining the balance of convenience to take into account the relative merits of each party's case. The special circumstances appear to be: first, it must be clear that the balance of uncompensatable disadvantages between a plaintiff and a defendant is evenly balanced; and, secondly, there must be on the affidavit evidence 'no credible dispute that the strength of one party's case is disproportionate to that of the other party'. The second factor includes the case where a defendant is almost certain to succeed in establishing a statutory defence. Thus, in *NWL Ltd* v *Woods*,[4] the House of Lords held, and Lord Diplock himself explained, that where in its view the defendants were 'almost certain to succeed in establishing the defence under s 13' of the Trade Union and Labour Relations Act 1976 a court was entitled to allow the relatively much stronger merits of their case to tilt the balance of convenience in their favour. Another case where the House of Lords considered the merits of the case, or more precisely the question of law whether an Act of Parliament, which prevented the applicants from fishing under British quotas, was *R* v *Secretary of State for Transport, ex p Factortame Ltd (No 2)*.[5] The House of Lords granted the injunction to suspend the operation of a British Act of Parliament because it was of the view that the European Community court would probably rule in favour of the applicants. In our view, these cases are not only rare but they are distinguished by the nature of the questions which the courts are called upon to adjudicate. Both of them turn on statutory interpretations and they were applied to facts which were not really in dispute; they do not involve any credible dispute on questions of fact the resolution of which would turn on technical, documentary and/or oral evidence of witnesses.

We now return to the grounds of appeal. First, it was contended that the learned judge had made the decisions in question on wrong principles in two respects. Counsel for the appellants contended that the learned judge was wrong (i) in concluding that 'on the facts given by the (respondent), if proved at the trial, there would be no infringement under the Copyright Act 1987'; and (ii) in proceeding on the basis that such a finding of fact (even if correct) was determinative on the question whether to grant or not to grant the interlocutory reliefs. Under this branch of the arguments, counsel for the appellants submitted that the learned judge had failed to follow the guidelines laid down in *American Cyanamid*.[3]

The consideration of the first submission above, and another aspect of this appeal which will be dealt with later, requires references to the statutory framework in Singapore governing the law of copyright. Until recently, the UK Copyright Act 1911 ('the 1911 Act') governed this branch of the law: see *Butterworth & Co (Publishers) Ltd* v *Ng Sui Nam*;[6] affirmed by the Court of Appeal: see [1987] 2 MLJ 5. For present purposes, it is relevant to mention that the 1911 Act was amended by the Copyright Act (Cap 63, 1985 Rev Ed).

On 10 April 1987, the Copyright Act No 2 of 1987 (Cap 63, 1988 Ed) came into force. It repealed both the 1911 Act and the Copyright Act (Cap 63, 1985 Rev Ed). It was enacted, inter alia, to update copyright law in view of advances in technology and, in particular, to

protect copyright in computer software. To understand the first submission above, reference has to be made to s 239 of the Copyright Act 1987 (Cap 63, 1988 Ed), which provides as follows:

> (1) The Copyright Act 1911 shall apply to a computer program made before 10th April 1987 as it applies in relation to a literary work and shall so apply whether or not copyright would subsist in that program apart from this.
>
> (2) Where, by virtue of subsection (1), copyright subsists under the Copyright Act 1911 in a computer program that was made before 10th April 1987, nothing done in relation to the computer program before that date shall be taken to constitute an offence under the repealed Copyright Act or an infringement of that copyright.
>
> (3) For the purposes of this section, a computer program the making of which extends over a period shall be deemed not to have been made before 10th April 1987 unless the making of it was completed before that date.

Counsel for the appellants submitted that, on the affidavit evidence, the respondent was not able to rely on the statutory bar under s 293(2) against his infringement of their copyright because there was credible evidence that on 10 April 1987, the respondent had modified his TMS program from the appellants' CAI program. We have set out the evidence. We were satisfied that in this respect there was a serious question of infringement to be tried and that the guidelines of *American Cyanamid*[3] were not followed by the learned judge.

The second ground of the appeal was that the learned judge had given wrong weight to the affidavit evidence which related to the questions of infringement and breach of the fiduciary duties of fidelity and confidence. In connection with this ground of appeal, it was pointed out to us that the learned judge had in his brief grounds made the following findings of fact which, according to counsel for the appellants, were all erroneous. The learned judge had indicated that on the facts given by the respondent, if proved at the trial, there could be no infringement under the Copyright Act (Cap 63, 1988 Ed). He also preferred the affidavit evidence of the respondent and those of the respondent's expert, Dr Lua, in preference to the evidence of the appellants' Dr Chou and their expert, Mr Ng. The learned judge also found that evidence of copying in the respondent's TMS-II was so minimal that the prospect of the appellants succeeding at the trial was 'slender'. Counsel for the appellants submitted that the learned judge apparently applied the case of *NWL Ltd* v *Woods*[4] which was an exception to the guidelines laid down in *American Cyanamid*[3] and, in doing so, the learned judge had misdirected himself on the controversial nature of the affidavit evidence led by each side and had accordingly misapplied *NWL Ltd* v *Woods*.[4]

In answer, counsel for the respondent placed reliance on the expert opinion of Dr Lua which we have recited. He elaborated by saying that, contrary to the 28% copying alleged by Dr Chou, Dr Lua had opined that about 10% of the respondent's TMS and TMS-II systems are similar to the CAI system. It was very clear to us that the controversial nature of the competing expert evidence was such that it was quite impossible in an interlocutory proceeding to form any confident finding of fact; indeed, in this case the tasks of the trial judge before whom evidence will be given orally by the experts would be a very difficult one in view of the technical nature of those evidence.

The third ground of appeal was a point which was, in a sense, resurrected by the appellants before us, although it was not pursued before the learned judge. Although the point could be said to remain very much in controversy having regard to the affidavit evidence produced by both parties, the appellants had before the learned judge towards the end of their counsel's submissions narrowed their case to rely on the appellants' case coming within the terms of s 239(1) of the Copyright Act 1987. The upshot of this stance before the learned judge was that the only evidence (if any) of the alleged infringing acts of the respondent occurring on or after 10 April 1987 would be relevant. We grant leave to the appellants to argue this point as it was a point of law in an interlocutory appeal: see *S Mariappan* v *Government of Malaysia*.[7]

It was the argument of the appellants under the third ground of appeal that copyright in their CAI system subsisted and continued to subsist under the 1911 Act quite independently of s 239(1) of the Copyright Act 1987 and that, notwithstanding s 239(2) of the Copyright Act 1987, the appellants were entitled to rely on every infringing act of the respondent which had occurred before 10 April 1987. Counsel for the appellants further submitted that on the affidavit evidence adduced by the appellants, their CAI programs were incomplete as at 10 April 1987 and on that basis they were not made before 10 April 1987 for purposes of ss 239(2) and (3) of the Copyright Act 1987. It therefore followed that the appellants were entitled to rely on and sue the respondent for his infringing acts which had occurred before 10 April 1987. In support of their contention that their CAI system, as computer software programs, were literary works under the 1911 Act and that copyright could subsist under the 1911 Act, under which references were made to ss 1(1), 5(b), 16 and 35(1) of the 1911 Act, the appellants relied on *Thrustcode Ltd & Anor* v *WW Computing Ltd*[8] and *Computer Edge Proprietary Ltd* v *Apple Computer Inc.*[1] *Thrustcode Ltd*[8] was an application for an interlocutory injunction and Sir Robert Megarry, the Vice-Chancellor, had proceeded on the basis that, at least as a triable issue at an interlocutory stage, literary copyright was capable of subsisting in a computer program. In adopting this approach, he was (as he stated at p 505) following

Goulding J in *Sega Enterprises Ltd* v *Richards*.[9] Full arguments were not advanced before us; but we were content with our interlocutory view that the questions whether copyright in the CAI system had subsisted under the 1911 Act and whether there were infringements by the respondent were also serious questions which had to be fully canvassed and tried.

The fourth and final ground of appeal related to the learned judge's several conclusions when considering this interlocutory matter under the broad classification of 'balance of convenience'. Counsel for the appellants submitted that the learned judge had fallen into several errors, namely (a) in finding that no impropriety on the part of the respondent had been shown; (b) in concluding that the appellants' claim 'was a highly contentious claim'; (c) in concluding that the respondent's business would be brought to a standstill; and (d) in finding that the case was 'pre-eminently a case for damages'. In setting out the affidavit evidence in the way we have done, we have, in our view, sufficiently shown that the appellants were plainly right in respect of submissions (a) and (b). As to submission (c), there was affidavit evidence, which was not really controverted, that Datum had developed other computer programs, namely, the Traffic Measurement Systems which they had sold to Singapore Telecoms and which they could continue to market. Datum could continue with their business and the respondent his employment with them.

Finally, we were unable to accept the finding of the learned judge that this was 'pre-eminently a case for damages'. Damages would have been difficult to assess, as it would be difficult to establish a correlation between any drop in the sales of the appellants with the alleged infringements and alleged breaches of fiduciary duties of fidelity and confidence. The appellants had over three and a half years developed their CAI system, and had incurred expenses doing so. The learned judge had enjoined the respondent from using the trade secrets and confidential information relating to the CAI system and there was no warrant why the respondent should not have been additionally enjoined not to copy or adapt the appellants' CAI system in Datum's TMS, TMS-II or any other adaptation of any of the appellants' CAI's system.

For all these reasons, we made the orders we did.

Appeal allowed.

Solicitors: *Allen & Gledhill; Palakrishnan & Partners.*

Reported by *Zarinah Marican*

Huang Ching Hwee v Heng Kay Pah & Anor

COURT OF APPEAL (SINGAPORE) — MOTION IN CIVIL APPEAL NO 128 OF 1990
YONG PUNG HOW CJ, LAI KEW CHAI AND RAJENDRAN JJ
5 AUGUST 1991

Civil Procedure — Appeal — Fresh evidence — Whether can be adduced

The appellant had given to the respondents an option to purchase property which was later exercised. The sale and purchase was to be completed on 24 August 1990 but the respondents discovered that the appellant had carried out renovation works which the respondents contended required planning approval and no approval had been given. The respondents considered that these unauthorized works would constitute a grave and serious misrepresentation as to quality of a fundamental character and they gave notice on 21 August 1990 that they would not complete the purchase of the property.

The appellant subsequently took out an originating summons for, inter alia, a declaration that the respondents were not entitled to rescind the contract contained in the option. The summons was dismissed (see [1991] 2 MLJ 15) and the appellant appealed to the Court of Appeal. After the hearing of the originating summons, the respondents' solicitors received a letter from the Director-General of Public Works which they believe would dispose of a possible major contention of the appellant in the forthcoming appeal against the judgment in the originating summons. The respondents therefore filed a motion in the Court of Appeal for special leave to adduce the evidence of the letter, upon the hearing of the appeal.

Held, allowing the motion:

The letter which the respondents wish to adduce was not in existence at the hearing of the originating summons. One of the issues in the appeal proper is whether the approval of the building authority is required for the renovation works. The letter states that plans have been submitted for consideration of approval. The conditions of *Ladd* v *Marshall*[1] are satisfied, because the evidence of the letter could not have been obtained with reasonable diligence. It would have an important influence on the result of the case and is apparently credible.

Cases referred to

1 *Ladd* v *Marshall* [1954] 3 All ER 745 (folld)
2 *Skone* v *Skone & Anor* [1971] 2 All ER 582 (refd)

Foo Soon Yien for the appellant.
Berny Johns for the respondents.

Cur Adv Vult

Yong Pung How CJ (delivering the judgment of the court): This was an application by the respondents to adduce further evidence under O 57 r 13(2) of the Rules of the Supreme Court 1970 ('RSC') which provides:

> The Court of Appeal shall have power to receive further evidence on questions of fact, either by oral examination in Court, by affidavit, or by deposition taken before an examiner, but, in the case of an appeal from a judgment after